



February 27, 2004

Mr. James Campbell
Acting Chief Financial Officer
ME-2/Forrestal Building
U. S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Subject: Increase General Plant Project (GPP) Limit to \$10 Million

Dear Mr. Campbell:

As you are aware, H.R. 2754 (Public Law 108-137), the Energy and Water Development Appropriations Action, 2004 contained language in the section on Atomic Energy Defense/Weapons Activities that raised the threshold for minor construction projects to \$10M. While this might be beneficial to the programs and sites funded under the Energy and Water Development Appropriation for Weapons Activities, other sites are finding the GPP limit is a growing constraint and would benefit from the increased threshold. FMSIC recommends that DOE propose the \$10M limit for all contractor sites to the Authorization Committee. This would hopefully result in the \$10M limit becoming applicable to all types of funding within both the Energy and Water Department and the Interior authorizations and appropriations.

FMSIC recently surveyed major DOE sites regarding the constraints related to the GPP threshold. We found that it has become increasingly difficult for M&O Contractors to address many modernization needs at DOE Laboratories while adhering to the \$5M threshold for General Plant Projects. Escalation and increased costs for safety and security requirements are eroding the buying power of the \$5M limitation, which was established in 1997. It is even more difficult to adhere to this dollar threshold when hazard related facilities are involved that require seismic upgrades, fire, and ventilation alarm systems. All of the sites surveyed indicated that the GPP threshold should be raised to \$10M.

All sites currently comply with DOE Order 413.3 which requires additional management rigor for projects with Total Project Cost (TPC) of \$5M and higher. FMSIC recommends the threshold on Order 413.3 be revised to \$10M as well. This will promote consistency and reduce DOE effort while maintaining contractor responsibility.



In summary, FMSIC supports and recommends the GPP threshold be increased to \$10M per the reasoning cited above. This change will enhance the contractors' ability to address modernization needs in a timelier manner and allow contractors to be more responsive to new programmatic requirements. It will also promote consistency throughout the Department, its sites and its programs. Additionally, we recommend that the \$10M limit be applied to FY2004 and beyond.

Your consideration of this request is greatly appreciated. If you have any questions, please contact me at (505) 665-7096.

Sincerely,

James M. Herring
FMSIC Chairman